

**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

**Paul D. Joyce, CPA
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

TAYLOR COMMUNITY SCHOOL CORPORATION

HOWARD COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/27/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Renae Adams	07-01-22 to 06-30-25
Superintendent of Schools	Christopher Smith Steve Dishon	07-01-22 to 06-30-23 07-01-23 to 06-30-25
President of the School Board	Dennis Marler Jennifer Bogue Shawn Haus	07-01-22 to 12-30-23 01-01-24 to 12-30-24 01-01-25 to 06-30-25



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TAYLOR COMMUNITY SCHOOL
CORPORATION, HOWARD COUNTY, INDIANA

This report is supplemental to the audit report of the Taylor Community School Corporation (School Corporation), for the period from July 1, 2022 to June 30, 2024. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with the Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

March 12, 2025

TAYLOR COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B41969, B46383, B49902, B52429, B56463, and B60733.

Condition and Context

The School Corporation did not have adequate internal controls in place to ensure cash balances for nongrant funds were not overdrawn.

The financial statement included the following nongrant funds with overdrawn cash balances at June 30, 2023, and June 30, 2024:

Fund	Amount Overdrawn June 30, 2023	Amount Overdrawn June 30, 2024
Curricular Materials Rental	\$ 601,860	\$ 479,433
Common School Loan	45,293	-
Common School Loan 2021	122,403	-
Common School Loan 2024	-	1,241
Performance Based Awards	-	104
Medical Insur. Clearing Acct.	-	4,295
Short Term Dis. Clearing Acct.	18,194	34,803
2Nd Life Insur. Clearing Acct.	-	380
Dental Insurance Clearing Acct	2,227	7,611
Am. Fid. Annuity Clearing Acct	-	2,638
Sec 125/Nr Med/Fees Clearing	17,777	14,062
Trustmark Universal Life	494	1,326
Federal Withholding Tax	2,202	202
Vision Insurance	2,023	4,050
Miscellaneous Clearing A/C	14,949	8,326
Fringe Benefit Clearing	731	1,091

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

TAYLOR COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B60733.

Condition and Context

The School Corporation did not have adequate internal controls in place to ensure that information reported in the Annual Financial Report (AFR) was accurate.

The School Corporation had not established effective internal controls over the financial information and other information entered in the AFR via the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement. Although the School Corporation had internal controls in place, they were not effective in identifying and correcting material errors.

Financial Data

The financial data reported on the AFR included bank-to-bank transfers in receipts and disbursements for both years of the audit period. This caused receipts and disbursements to be overstated by \$500,000 for fiscal year 2022-2023 and \$1,400,000 for 2023-2024. The amounts reported on the AFR are used to compile the financial statement and the Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement and the Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the School Corporation.

Leases and Debt Information

The debt and lease information reported on the AFR included 2015 Government Obligation (GO) Bonds for capital expenditures, 2018 GO Bonds - Field House, and 2023 GO Bonds - Building project. However, these bonds were obtained through the holding corporation and should have been reported as capital leases and not debt.

Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the School Corporation.

Capital Asset Information

Capital asset information reported on the AFR for 2023 included additions that were from the prior period but should have been included in the beginning balance of capital assets instead.

TAYLOR COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

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AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Condition and Context

The School Corporation did not have adequate internal controls in place to ensure compliance with average daily membership (ADM) requirements.

A total of 27 brick-and-mortar students were tested for the 4 count dates during the audit period. For 2 of the 27 brick-and-mortar students tested, the School Corporation did not maintain a birth certificate to verify age. In addition, for 13 of the 27 brick-and-mortar students tested, the School Corporation did not maintain documentation to verify proof of residency.

A total of 6 virtual students were tested for the 2 count dates in fiscal year 2023-2024. For 1 of the 6 virtual students tested, the School Corporation did not maintain a birth certificate to verify age. In addition, for 3 of the 6 virtual students tested, the School Corporation did not maintain documentation to verify proof of residency.

Criteria

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

TAYLOR COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, must provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Each school corporation's governing body or charter school board must annually adopt or readopt a policy that specifies documentation, not to exceed three items, required to verify Indiana residency.

Documentation may include such items as a current utility bill, telephone bill, tax return, bank statement, mortgage statement, rental/lease agreement, medical bill, or similar information that provides a verifiable address. Documentation should be dated within 60 days of student enrollment, and the date should be clearly identified and readable on the copy on file for the student.

(Indiana Department of Education memos dated September 9, 2022, and September 8, 2023)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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TAYLOR COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 12, 2025, with Renae Adams, Treasurer; Steve Dishon, Superintendent of Schools; Shawn Haus, President of the School Board; and Dennis Bentzler, School Board member.